

GOVERNOR'S TASK FORCE
ON THE IMPLEMENTATION OF BALLOT QUESTION 2:
THE REGULATION AND TAXATION OF MARIJUANA ACT

MEETING MINUTES

Nevada State Capitol Building
Old Assembly Chambers
101 N. Carson Street
Carson City, NV 89701

Office of the Governor
Grant Sawyer Office Building
555 Washington Avenue, Ste. 5100
Las Vegas, NV 89101

Friday, April 28, 2017
10:00 a.m.

Members Present:

Deonne Contine, Chair
Chuck Callaway, Vice Chair
Lynn Hettrick
Alec Garcia
Michael Pawlak
Tom Robinson
Dr. John DiMuro
James Wright
Wes Henderson
Joe Pollock
Kevin Schiller
John Ritter
Senator Hardy

Members Absent:

Andrea Zeller
Dagny Stapleton
Richard Whitley
Assemblywoman Tolles
Assemblyman Araujo
Senator Segerblom

The meeting was called to order at 10:08 a.m.

I. Public Comment.

Allan Nassau of Red Rock Wines thanked the Task Force for letting him speak this morning. It is shameful how the independent alcohol distributors of Nevada have been treated during this process. Aside from the fact that we have been marginalized from participating in the recreational marijuana experiment, we have been treated at times with disrespect by members of various work groups and representatives of the medical marijuana industry. Our ideas have been pushed aside and ignored by fellow work group members. Our

thoughts in public comment have been cut off mid-sentence by work group chair people. There have been outright lies about our industry expressed by work group members during work group debates. Aside all of this, we are hopeful that when all is said and done, we will have a seat at the table as the voters of Nevada intended when they voted in Question 2 this past November, and that we will not have to take actions that will delay the July 1 start date. We would like to negotiate a solution to our grievances. Thank you.

Judy Anderson, a concerned citizen, stated from the very beginning, this has not been a program that was created to make a monopoly. Many individuals came forward several years ago and applied for licenses because they believed in the therapeutic value of medical marijuana. In the beginning, the selection process was based on a number of cumulative points to receive the initial licenses that were awarded. Therefore, it seems fair and appropriate, that the people that initially expended significant resources to apply at the very beginning should be provided with a priority opportunity as we move forward with the second round of licenses. When I voted yes on Question 2, I didn't anticipate a limited number of licenses being issued. This shouldn't be part of this process. If the initial 66 licensees also have the opportunity for resale sales for recreational marijuana, this is going to eliminate 66 of the 118 proposed licenses. It doesn't seem appropriate. Thank you for your consideration.

Curtis Coulter, Esq., represents a group that participated in the early application process. Giving priority to people that previously applied is fair and legitimate. They were supportive of the concept of therapeutic purposes before it was made into a money grab to see who can get licenses for recreational purposes. When I voted yes on Question No. 2, there was not any indication regarding a monopoly to a certain industry, or that there was a limited number of licenses. It should be a review based on the initial applications and preference should be given to those who submitted an initial application. Thank you for your time.

Vicki Higgins thanked the group for all of the work that has been done. Ms. Higgins agrees with Mr. Coulter that any MME's that went through the process should have first priority. Thank you.

II. Introductions.

No introductions were made.

III. Consideration for Approval of the April 14, 2017 Governor's Task Force for the Regulation and Taxation of Marijuana Act Meeting Minutes.

Wes Henderson asked that "decent" be changed to "dissent" on the last page.

- Wes Henderson made a motion to approve the April 14, 2017 meeting minutes, as amended. Second by Lynn Hettrick. All in favor. Motion carries.

IV. Review and Consideration of Approval of Draft Recommendations from the Working Groups.

A. Production / Manufacturing

Anna Thornley, Deputy Director – Department of Taxation, presented a recommendation regarding inspection requirements. As a representative of the Department, Ms. Thornley mentioned there is a potential issue if the medical and recreational programs are not merged, and mentioned the issue could possibly be worked out in the regulatory process.

Chuck Callaway supports the concept, but wants to be sure nothing precludes local law enforcement from also doing inspections.

Anna Thornley answered there is nothing in the recommendation that would preclude law enforcement from doing inspections.

Lynn Hettrick has the same concern as Mr. Callaway, but for the Department of Agriculture. The Department of Agriculture is supportive of the recommendation, but will need to do inspections.

Wes Henderson has the same concern for local government licensing inspections and code enforcement.

Anna Thornley stated this is only for state inspections.

- Tom Robinson made a motion to approve the inspection requirement recommendation. Second by Alec Garcia. All in favor. Motion carries.

Bryan Hyun presented a recommendation regarding production outside of licensed facilities.

John Ritter mentioned anything that needs statutory changes should be pointed out.

Chuck Callaway stated Senate Bill 447 (2015) contains language which makes it illegal to extract for home extraction. There is a vast difference for a person that is doing chemical extraction, compared to someone that purchases some type of liquid cannabis and mixes it in brownies. Making cookies or brownies could be considered production. If the recommendation is to ask the Legislature to consider this, certainly these issues would be hashed out through the legislative process. Mr. Callaway does not want to submit this recommendation to the Governor if it might be a violation of the law.

Senator Hardy suggested the wording could be “contingent upon the applicability to all of the appropriate laws”.

Tom Robinson stated NRS 453D.110 does allow individuals to process one ounce of marijuana. The intent of this recommendation is to restrict how it is processed outside of a production facility and to exclude materials that are potentially hazardous. NRS 453D.030 does define process.

- Lynn Hettrick moved to approve the recommendation regarding production outside of licensed facilities. Second by John Ritter. Chuck Callaway votes No. Motion carries by majority.

Jake Ward presented a recommendation regarding inventory control within individual facilities.

- Senator Hardy made a motion to approve the recommendation regarding inventory control. Second by Dr. DiMuro. All in favor. Motion carries.

B. Cultivation

Lynn Hettrick presented a recommendation regarding pesticide application and worker protection standards.

- Tom Robinson made a motion to approve the pesticide application and worker production standards recommendation. Second by Wes Henderson. All in favor. Motion carries.

Lynn Hettrick presented the recommendation regarding pesticides.

- Senator Hardy made a motion to approve the recommendation regarding pesticides. Second by Kevin Schiller. All in favor. Motion carries.

John Ritter presented a recommendation regarding outdoor cultivation security requirements. There was concern regarding the remoteness of grow facilities and response time. Lynn Hettrick expressed dissent.

Lynn Hettrick appreciates the work that went into this recommendation. We agreed there needs to be security, and agreed to move this recommendation forward including the “or” comments. A fifteen minute response time rules out growing in the rural areas. In G. after the word “or”, the word “additional” should be removed. Mr. Hettrick agreed with the secured block buildings suitable to dry and store. The value of the product is when it is dried and stored. If someone stole it while it was growing, they would have to get through two fences, cameras, alarms, etc. The security seems like overkill and pretty much eliminates the option for someone in agriculture to grow to sustain their farming operation. This seems to violate the Initiative Petition.

Wes Henderson agrees with Mr. Hettrick and will be voting no on this recommendation.

Chuck Callaway stated he supports strict security measures for outdoor grows. Law enforcement prioritizes calls in Las Vegas. Even if the call is from across the street from the police station, it may take an hour for police to get there, depending on the priority of the call. Mr. Callaway suggested local law enforcement be informed of grow site locations.

Tom Robinson is in support of security measures, but stated some measures in this recommendation seem too stringent.

Senator Hardy does not believe this recommendation is ready to move forward. Senator Hardy exited the meeting.

Tom Robinson made a motion to refer the recommendation back to the working group for further work. Motion died.

Alec Garcia mentioned greenhouses are approved for use in the medical program, but the bottom eight feet must be solid and not transparent.

Wes Henderson reviewed the definition of “public place” in Initiative Petition 2. Mr. Henderson does not believe a person’s private property, or a farm, would be included in this definition.

- Chuck Callaway made a motion to approve the recommendation regarding outdoor cultivation security, including an amendment to No. 3 to read: “The cultivation working group recommends that the security requirements for outdoor cultivation be at a minimum equal to the current medical marijuana cultivation requirements, as there is a need ensure stringent security over the product”. Lynn Hettrick seconds. Wes Henderson votes No. Tom Robinson votes No. Motion carries by majority.

C. Law Enforcement

Adam Page, Department of Public Safety – Nevada Highway Patrol, presented a recommendation regarding preventing diversion to other states.

John Ritter commented on section 3.E. regarding a dispensary knowingly or negligently selling large amounts of marijuana to those that travel out of state. Mr. Ritter has concern regarding the meaning of large amounts of marijuana. If a dispensary is selling legal amounts of marijuana, and operating within the regulations as established by medical and recreational dual use, a dispensary should not be liable if someone takes what they have legally bought in a dispensary out of state. If a dispensary illegally sells five pounds and it is taken out of state, the dispensary should be liable.

Adam Page agrees with Mr. Ritter. The working group wants to make a clear establishment through evidence. We are talking about trafficking large amounts of marijuana.

- Tom Robinson made a motion. Chuck Callaway seconds. All in favor. Motion carries.

Chuck Callaway presented a recommendation regarding revenue for public safety.

Wes Henderson stated there will be impacts on law enforcement as a result of recreational marijuana; however, how the revenue is spent is a policy decision within the governing body. I want to support this, but can't support something that ties the hands of the governing body.

Lynn Hettrick stated a plan can be as simple as a budget.

Chuck Callaway would like to require the local governments to have a plan as to how they will spend the revenue they receive from marijuana, and ask they include public safety as part of the consideration. We are not asking for an additional tax.

Wes Henderson commented that if the word "priority" was changed to "consideration", he could possibly support this recommendation.

- Tom Robinson moved to approve. Dr. DiMuro seconds. Joe Pollock, Wes Henderson, Kevin Schiller and Mike Pawlak vote No. Motion carries by majority.

Deputy Josh Chaney, Carson City Sheriff's Office, presented a recommendation regarding open container and personal transport.

Wes Henderson asked what the definition of open container of paraphernalia is.

Deputy Chaney stated paraphernalia should not be within reaching distance of the driver.

Chuck Callaway compared this to transporting an open bottle of wine in the trunk of the car.

Joe Pollock asked about public transportation.

Deputy Chaney stated it would not pertain to busses, cabs, as well as motorhomes. Paraphernalia is not considered "drug paraphernalia" until it is used for that purpose.

Alec Garcia would like to be sure that someone that is trying to be lawful is not penalized for carrying something they purchased lawfully. Mr. Garcia mentioned driving a pick-up truck without a trunk and/or backseat, and asked where to put it in this situation.

Chuck Callaway suggested the totality of the circumstance, discretion by the officer, and the case in point would be considered. Mr. Callaway compared having a zipped duffle bag out of the driver's control or a bong sitting in the center console. The officer is going to make a judgment.

Madam Chair shared Mr. Garcia's concerns and asked if there was dissent in the working group.

Chuck Callaway does not remember any dissent in the working group's discussions.

John Ritter mentioned concentrated cannabis or vape pens in a vehicle, and asked if this would be unlawful.

Wes Henderson stated he cannot support the language in this recommendation.

Dr. DiMuro asked if there are any existing laws for controlled substance similar to this. For instance, if a patient has an Oxycodone or Morphine bottle within arm's reach.

Chuck Callaway is not aware of a regulation on prescription medication. Mr. Callaway suggested a prescription bottle that was bought from a pharmacy would be comparable to a sealed bag of marijuana. The distinction would be if the officer had reason to believe the product had been ingested.

Wes Henderson asked, if one ounce was purchased and half was gone, would a person be allowed to have this in a vehicle. Mr. Henderson asked if the recommendation is to ask the Legislature to draft a law, because this is not what the recommendation says. I cannot support this.

Tom Robinson asked if alternative language would be acceptable.

Chuck Callaway asked to amend the recommendation to say: "we urge the Legislature to enact a law regarding constructive possession of narcotics paraphernalia while operating a motor vehicle, similar to what is currently in statute for open container of alcohol in a motor vehicle", and allow the Legislature to establish a law.

- John Ritter moved to approve the recommendation regarding open container and personal transport, as amended. Chuck Callaway seconds. All in favor. Motion carries.

Chuck Callaway presented a recommendation regarding data collection.

- Tom Robinson made a motion to approve the recommendation regarding data collection. Kevin Schiller seconds. All in favor. Motion carries.

D. Labs

Benjamin Chew, Scientific Laboratory Director - MM Lab, Inc., presented a recommendation regarding inventory control.

- Lynn Hettrick moved to approve the recommendation regarding inventory control. Tom Robinson seconds. All in favor. Motion carries.

Alec Garcia presented a recommendation regarding ownership interest.

- Wes Henderson made a motion to approve the recommendation regarding ownership interest. Second by Kevin Schiller. All in favor. Motion carries.

Ed Alexander presented a recommendation regarding the creation of an advisory committee.

Wes Henderson commented on the incorporated and unincorporated local jurisdictional representatives, and asked to amend the recommendation to include a representative from NACO and a representative from the League of Cities.

Joe Pollock asked if the ILAC committee would go away.

Ed Alexander is not sure if ILAC would go away, or merge.

Joe Pollock asked for a recommendation for one body should the programs merge.

Ed Alexander asked to amend the language to include Mr. Henderson's and Mr. Pollock's comments.

Madam Chair stated the elimination of ILAC would require a rule making.

Alec Garcia believes the intent is, if the programs merge, the advisory committees would merge. ILAC is made up to include the industry. This recommendation was made to include others, such as law enforcement, local jurisdictions and others.

Madam Chair stated this is the Task Force for recreational marijuana, if the programs were to merge and it was essentially one program, we wouldn't want to duplicate.

- Tom Robinson motioned to approve the recommendation regarding an advisory committee, as amended. Wes Henderson seconds. All in favor. Motion carries.

Lynn Hettrick presented the recommendation regarding sample sizes for testing.

John Ritter referred to section 3, page 2, under NAC 453A.658 of the recommendation. A cultivator harvests, dries the product and puts it into one pound glass or metal containers for curing. This recommendation would delay the curing process by a few days. Mr. Ritter is in support of this recommendation, except for this one statement.

Lynn Hettrick commented that during discussions, the group became aware of the fact that when the independent laboratories sample, there will be five one pound containers and the product could be different in each container. We discussed taking samples from each container and combining them to make a lot, but we felt it would not represent what the person gets. The group felt the appropriate way to do this is to allow the cultivator to divide, but if they divide, it becomes an individual test.

- Chuck Callaway made a motion to approve the recommendation regarding sample sizes. Tom Robinson seconds. John Ritter votes No. Motion carries by majority.

John Ritter exited the meeting.

E. Transportation / Storage / Disposal

Joe Pollock presented a recommendation regarding an application process for a distributor license.

Mr. Pollock stated there was dissent from Kurt Brown and Margaret (Peggy) Arquilla. Mr. Brown and Ms. Arquilla do not want the licensing opened up to existing businesses.

Madam Chair asked that the recommendation include the following language: "If the Department determines that there are an insufficient number of wholesale liquor licenses, pursuant to 453D, the Department shall accept..."

Lynn Hettrick stated the suggested language be prior to the balance of subsection 3.

- Lynn Hettrick moved to approve, with the additional language. Second by Joe Pollock. All in favor. Motion carries.

F. Taxation / Revenue / Regulatory Structure

No recommendations were presented.

G. Retail

Mona Lisa Samuelson presented a recommendation regarding operations - service.

Dr. DiMuro asked about a maximum number of people allowed in a dispensary.

Madam Chair compared medical lines to a TSA pre-check.

Mona Lisa Samuelson stated the recommendation is to be sure card holders have access without a long wait. Ms. Samuelson agreed with the TSA pre-check example.

- Mike Pawlak moved to approve the recommendation regarding operations - service. Chuck Callaway seconds. All in favor. Motion carries.

Riana Durrett, Executive Director, Nevada Dispensary Association, presented a recommendation regarding inventory tracking and separation of product.

- Wes Henderson motioned to approve the recommendation regarding inventory tracking and separation of product. Chuck Callaway seconds. All in favor. Motion carries.

Riana Durrett, Executive Director, Nevada Dispensary Association, presented the recommendation regarding retail regulations.

Chuck Callaway agreed with the concept of using the medical regulations as a framework, and stated recreational regulations cannot be any less strict than the medical regulations.

- Alec Garcia motioned to approve the recommendation regarding retail regulations. Tom Robinson seconds. All in favor. Motion carries.

H. Consumer Safety / Education / Health

Linda Lang, Nevada Statewide Coalition Partnership, presented a recommendation regarding education. Ms. Lang stated it is important to the working group that the information is unbiased and fact based.

- Dr. DiMuro made a motion to approve the recommendation regarding education. Lynn Hettrick seconds. All in favor. Motion carries.

Dr. DiMuro presented a recommendation regarding banking.

Wes Henderson asked to consider adding a request that the Legislature send a recommendation to Congress to enact legislation to allow access to the federal banking system.

Alec Garcia stated there can be a state bank, but there must be a FDIC master account from the Federal Reserve.

Dr. DiMuro stated the recommendation is asking for the creation of an intrastate banking system exempt from federal law and FDIC.

- Motion to approve from Alec Garcia. Second by Wes Henderson. All in favor. Motion carries.

Dr. DiMuro presented a recommendation regarding the Nevada Indoor Clean Air Act.

- Tom Robinson moved to approve the clean air act recommendation. Second by Chuck Callaway. All in favor. Motion carries.

John Packham, Director of Health Policy Research, presented the recommendation regarding research.

Dr. DiMuro informed the Task Force that in 2014 13.4% of admissions to Nevada substance abuse facilities were for marijuana. In 2015 19.6% of high school students currently use marijuana and 9% use marijuana before the age of 13.

Joe Pollock asked if research facilities, such as Desert Research Institute, will be included.

Mr. Packham answered - yes.

- Chuck Callaway motioned to approve the recommendation regarding research. Joe Pollock seconds. All in favor. Motion carries.

V. Public Comment.

Mona Lisa Samuelson, medical marijuana patient advocate and community activist, thanked the group for all of the hard work. Ms. Samuelson is very proud of all of the recommendations and tried to attend work group meetings for each group. We are fine tuning marijuana in Nevada. We are very thankful for this opportunity.

Tori Scharadin, with the Students for Sensible Drug Policy at UNLV, thanked the Task Force or all of the hard work. It has been very fun keeping up with the policy recommendations. Mr. Scharadin stated he has been thinking of ways for the industry to interact with students in Nevada. There is a high rate of use with 18 to 25 year olds. In line with the research being done, we would like to inform students with on-campus education programs. Please consider interacting with the upcoming next generation that will be taking over this industry in Nevada. Thank you.

Curtis Coulter, Esq. stated the intent of Question 2 is not to create a monopoly. Please consider making the issuance of a new license available to qualified applicants, and a preference should be given to those that have already submitted applications and paid fees to the state. Some prior applicants may want to proceed and others may not, but I think the

opportunity should be extended to them based on the investments that they put in initially. Possibly give them a short period of time to update their applications to be sure they are consistent with any current requirements. This is a fair and equitable decision and it is consistent with the equitable discretion of the committee. Thank you.

Madam Chair asked that Mr. Coulter review NRS 453D.210.2 and please contact her with how he views the ability to open the license up, given this provision.

Allan Nassau, representing the Independent Alcohol Distributors of Nevada, a Nevada non-profit corporation. The group was recently formed as a trade association to work on issues collectively, such as the issue of the voters' authorization for us to be the exclusive distributors in Question 2. We have been working together for some time bound by our interest in being the exclusive marijuana distributors for recreational marijuana. Many of the companies expressed interest when asked in a letter from the Department of Taxation dated November 18, 2016. Our purpose today is simple. We are once again expressing our dissatisfaction and disagreement with how our concerns and testimony before the Task Force's work groups (primarily transportation) has been handled. In some instances, we were directly told they would not be considered at all. This, of course, is objectionable and unacceptable for many reasons. Somehow our testimony and concerns were not considered valuable enough to even warrant any minimal discussion during the work group or during three (3) minutes of public comment to prevent these ideas and concerns. We want to put on the formal record our objection and challenge to how our information, concerns, and objections were not addressed in any visible or public way at all. We are a valuable part of the integrity, reliability, accuracy, security, safety, health and other public necessities of the recreational marijuana distribution system. We were confirmed by the vote of Nevada citizens to be part of the trust worthiness of accurate tax reporting, records and basis for audit in the insurance that marijuana in Nevada would not be illegally diverted. This is a roll that we fill and take very seriously with respect to alcohol distribution, as we would also do with the responsibility placed on us by the voters. Our comments, concerns and suggestions were offered in the same seriousness and trust; and it is wrong that our input was not even honored with any change in the regulations up to this point, or any debate in the proceedings. Thank you on behalf of the Independent Alcohol Distributors of Nevada.

Kimber Luciano asked for clarification regarding 80 licenses. Ms. Luciano asked if the 48 licenses being processed are included in the 80.

Madam Chair stated Question 2 calls for 80 licenses. There are a total of 80 licenses, of which medical marijuana establishments can apply.

Ed Alexander mentioned that local jurisdictions have some concern regarding funding the early start up. Mr. Alexander urged the Task Force to identify what this potential carve out looks like. The Department of Taxation was allowed to take a loan from the general fund, but I don't know if there is a provision to this on the local level. He would hate to see jurisdictions opt out because of the lack of finances. I would like to see a vehicle to access funding. Thank you.

VI. Adjourned at 12:53 p.m.